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Inquiry Concerning City Carrier Costs : Docket No. PI2017-1

COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association (GCA) files these comments pursuant to Order No. 3926 (May 31, 2017). As the only trade association speaking for the citizen mailer, GCA is interested principally in one aspect of this Inquiry: the development of a workable mechanism for quantifying the volume of mail left by customers for pickup from their own receptacles. As past Postal Service investigations have shown, household mailers make intensive use of this collection mode, predominantly for letter-shape mail.

Background. The search for a feasible measure of collection volume[1] dates back to Docket RM2011-3. In its *Report Regarding Cost Studies: Response to Order No. 1626* (April 18, 2012), pp. 13-14, the Postal Service stated that –

> While DOIS data exhibit great potential for updating the regular delivery equation, there is one possible significant drawback associated with its use. DOIS does not record the amount of mail that city carriers collect directly from customers. This means that estimated coefficients from a regular delivery time equation based solely on DOIS data are potentially biased because of the omission of a variable for mail collected from customers. The collection of mail from customers' receptacles is tightly integrated with the delivery activity. Recorded delivery times include both the time associated with delivering mail to customers and the time associated with collecting mail from customers. This means that a potentially important variable for explaining variations in delivery time is the volume of mail collected directly from customers.

[1] "Collection volume" or "collection mail," for purposes of these Comments, means mail collected from customer receptacles. It does not include mail collected from street letter boxes or other dedicated collection points, which is already reflected in ongoing data systems.

The Postal Service went on to describe the special field study it would perform to solve this problem. The City Carrier Collection Mail Volume and Source Study (CCCMVSS), which produced the needed information, will be discussed below.

In Docket RM2015-7, the Commission largely approved the Service's plans for overhauling street time costing, but identified some areas needing more work. One was collection mail volume. In Order No. 2792, the Commission directed the Service to report on progress in these areas. The report[2] it filed in response described the CCCMVSS in detail. The Service drew two conclusions from it: (in) the study produced data usable for the purposes it and the Commission were pursuing, and (ii) incorporating its procedures into the ongoing data collection system would be prohibitively expensive.[3]

Importance of customer-entered letters. For GCA, the report yielded two other significant findings: that collection from customers' receptacles is predominantly a letter-shape phenomenon, and that almost all collection by letter route carriers is from customers' receptacles (rather than mail chutes in large buildings or containers prepared by business users).[4]

The CCCMVSS demonstrated that letters predominate in collection volume: the median values for customer letters, flats, and packages were, respectively, 76, 0, and 0 pieces per route day.[5] The corresponding median values for collection point letters, flats, and packages, and container letters and flats, were also all zero. Mean values tell the same story: 139.4 pieces for customer letters, as against 12.6 customer flats and 2.9 customer packages. The highest "non-customer" mean was 12.0 collection point letters.

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[2] *Report on the City Carrier Street Time Study* (December 2014), filed as Library Reference USPS-RM2015-7/1.

[3] *Response of the United States Postal Service to Commission Order No. 2792* (February 16, 2016), pp. 12-13.

[4] *Report on the City Carrier Street Time Study,* p. 36.

[5] Id., Table 12.

The present proceeding. In this Docket, Chairman's Information Request No. 1 asked the Postal Service to report progress toward finding a proxy for collection mail volume. It responded that the one data system which initially seemed plausible – the Collection Point Management System (CPMS) – turned out to be unsuitable because it measured the wrong category of labor: the relevant collection points are mainly served by special purpose route carriers, rather than the letter route carriers with whom the present inquiry is concerned.[6]

Chairman's Information Request No. 2, however, elicited a more optimistic response. Of the two methods it asked the Service to investigate, one was deemed to "show promise."

The MDD proposal. Mobile Delivery Devices (MDDs), already in use to record scannable barcodes at delivery points and on mailpieces, would be used to record collection mail. As explained by the Service:

> An investigation has started on the feasibility of capturing customer collection volume through the MDDs, and the initial findings show promise. In its response to ChIR No. 1 in the instant docket, the Postal Service said that during the density test, the MDDs are used to measure collection volume from dedicated collection points. For service reasons, dedicated collection points have barcodes, which the carrier scans and, during the Density Test, is subsequently prompted for a volume measure. For MDDs to be used for customer collection volume, a barcode would have to be used to prompt the carrier to enter customer collection volume at some point along the route. Investigating the feasibility of establishing this as an ongoing data collection process requires algorithmic and software changes, which must be designed and tested. Thus, MDD collection volumes will not be available in the immediate near term, but the approach appears to be sufficiently feasible to justify additional investigation, and the Postal Service is continuing to pursue that.[7]

[6] In GCA's view, the CPMS had another important shortcoming. Since it depends on scans by the carrier, and customers' receptacles are not normally equipped with scannable barcodes, most of the collection mail of interest (as established by the report on the CCCMVS) would be missed. The MDD-based approach, discussed below, would avoid this problem.

[7] *Responses of the United States Postal Service to Questions 1-10 of Chairman's Information Request No. 2* (July 25, 2017), Question 2.

On the basis of this explanation, GCA concluded that this approach, if workable, could be a highly beneficial improvement in costing. Before it was filed, we had been investigating whether the approach used in the CCCMVSS could be useful again. Recognizing that, as the Postal Service pointed out, this method would be prohibitively costly if made an everyday component of the ongoing data system, we examined its possible utility as a one-time, or perhaps periodic, replay of the 2013 test.[8] The Postal Service's next report, however, provided a new perspective.

The August 18 progress report. On August 18, 2017, the Postal Service, responding to a Commission directive, filed a report on its efforts toward the single, top-down carrier street time model which has been a main focus of this proceeding and its predecessors.[9] The report identifies some significant problems in developing such a model, though it does not rule out the possibility of doing so. From GCA's point of view, one particularly interesting conclusion is that leaving out customer collection volume would cause material biases in the resulting model. The Postal Service tested a model with collection volume variables left out and found that doing so resulted in overstated variabilities for other variabilities; it described the biases as "material" though "not overwhelming."[10] The Postal Service concluded that, despite the biases, the results were sufficiently encouraging that it was

> . . . appropriate to continue the research on estimating a top-down model. The advantage of this approach is that [it] supports evaluation of the PTR volume data in a top-down equation prior to launching an expensive field study or MDD modification to obtain collection volume data. If the results of this research on

[8] The Postal Service explained that incorporating the CCCMVSS as a regular data-collection tool would cost more than $100 million a year (not counting training costs). Using input values from that explanation, we estimated the *one-time* cost of repeating it, on the same scale as the original study, as about $181,000.

[9] *Report on Research into the Ability of a Top-Down Model to Accurately Estimate City Carrier Street Time Variabilities.*

[10] Id., pp. 4 et seq., particularly pp. 7-8.

> the top-down model are deemed to be sufficiently promising, launching the required field study or MDD modification may be appropriate. If the effort fails, the Postal Service has avoided wasting resources on an unneeded study.[11]

So far as experimenting with the hoped-for top-down model is concerned, GCA has no problem with this research design. We do not understand the Postal Service to be saying that collection volume data are themselves "unneeded" – only that the effort and expense of obtaining them *for purposes of the top-down model inquiry* could be wasted if the top-down model itself turned out to be infeasible.

The Postal Service, however, seems still to be uncertain that the top-down model can be made to work. The August 18 report concludes that multicollinearity problems, which it describes as "potentially disqualifying," could prevent it from generating reliable variabilities for different types of mail.[12] This raises a different question: if a top-down model is not feasible, how should we obtain collection volume data? We consider both possibilities: first, that a top-down model can be made to work, and, second, that it cannot.

Collection volume recording in a top-down model. If the top-down model is feasible, the MDD-based approach previously discussed seems the obvious choice. It would have clear advantages over a single reiteration of the CCCMVSS. The latter exercise would cover only 12 delivery days rather than a full year, and perhaps 300 ZIP codes rather than the thousands which contain city carrier routes. If the top-down model turns out to be feasible, and is so implemented, using MDDs, as to produce an accurate reading of customer receptacle collection volume, GCA would welcome its incorporation into the data systems and the use of its results in the street time model.[13]

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[11] Id., p. 9.

[12] Id., pp. 38-39.

[13] *Responses of the United States Postal Service to Questions 1-9 of Chairman's Information Request No. 3*, Question 5, seems to underline the importance of collection mail volume recording at the point of collection. It raises the possibility that a carrier may actually enter collected mail at a post office other than that of origin (". . . deposited in the next Post Office at which the carrier arrives . . .", quoting *Postal Operations Manual* sec. 663.4).

Collection volume recording with no top-down model. If a top-down model proves infeasible, it is still important to record collection volume. The substantial distortions the Postal Service observed when trying its test model with collection mail left out make that clear, as do its observations on problems in using DOIS data (quoted at p. 1, above). Here again, the MDD approach seems best. When prompted to do so, the carrier would still conduct a mail count, but – unlike the CCCMVSS procedure – data entry evidently would be automatic (via the MDD) rather than a manual operation performed by a supervisor. Thus even if no top-down model is possible, current methods can still be substantially improved by remedying the omission of collection volume. It is particularly important to do so, since the persistently declining availability of street letter boxes[14] suggests that customer collection mail will become an increasingly large share of entering volume.[15]

Would the CCCMVSS approach be useful in an ancillary role? GCA believes that, whether or not the Postal Service succeeds in creating a top-down model for city carrier street time variability, it should use MDDs to record collection volume. That said, however, GCA would raise the question whether there may still be a role for the CCCMVSS approach. We are not suggesting that it should substitute for an MDD-based technique, but that the Postal Service and the Commission consider how it might facilitate making that technique effective.

The Postal Service has suggested that adapting the MDD will take considerable time and effort. This suggests that a rerun of the CCMVSS could provide useful information while the MDD method is designed and tried out. It seems that an up-to-date

[14] According to the Postal Service's *Mail Collection Boxes: A Brief History,* Table 2, the number of street letter boxes declined from 345,000 in 2005 to 153,999 in 2015.

[15] The Postal Service has explained why a data system using only dedicated collection points – the Collection Point Management System (CPMS) – would not adequately represent customer collection mail. *Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 1,* Question 2. Where street letter boxes are numerous and easy to access, more mail will enter the system through them, to be recorded predominantly by special purpose route carriers. Where they are not, more mail would be left for pickup, by letter route carriers, from customer receptacles. If, as seems likely, the number of street letter boxes continues to decline, this effect will become still more marked.

estimate of customer collection volume would be helpful, both for possible current application and as a starting point for testing the MDD-based system.

The Service's description of how it could use MDDs suggests that one important issue in designing a collection volume measurement system would be determining how many, and which, customer receptacles to fit with scannable barcodes. A notable feature of the CCCMVSS was the care with which the sample of ZIP codes and routes was designed.[16] It seems likely that a similar effort would be needed in designing an MDD-based system. It also seems likely that an up-to-date estimate of collection volume would be helpful in carrying it out.

We make this suggestion not to detract from the desirability of the MDD-based system, which seems clearly the best approach, but to indicate how the CCCMVSS might facilitate it. GCA believes that the Commission should endorse the MDD approach and encourage the Postal Service to proceed with developing, testing, and operationalizing it. And it should do so regardless of whether a top-down street time cost model can be successfully devised.

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Respectfully submitted,

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[16] *Report on the City Carrier Street Time Study,* pp. 27 et seq.